

VZCZCXRO0592

RR RUEHBC RUEHDA RUEHDE RUEHDH RUEHIHL RUEHKUK

DE RUEHGB #1223 1301451

ZNR UUUUU ZZH

R 101451Z MAY 09

FM AMEMBASSY BAGHDAD

TO RUEHC/SECSTATE WASHDC 2995

INFO RUCNRAQ/IRAQ COLLECTIVE

RUEHGV/USMISSION GENEVA 0294

UNCLAS BAGHDAD 001223

SIPDIS

SENSITIVE

E.O. 12958: N/A

TAGS: [ETRD](#) [PGOV](#) [EAID](#) [WTO](#) [ECON](#) [EINV](#) [IZ](#)

SUBJECT: IRAQ WTO WORKING PARTY: HOPES FADE FOR A JUNE MEETING

REF: (A) BAGHDAD 1176

(B) BAGHDAD 1146

(C) BAGHDAD 636

(D) BAGHDAD 285

SENSITIVE BUT UNCLASSIFIED. PLEASE PROTECT ACCORDINGLY.

¶1. (SBU) SUMMARY: A GOI working group has finished compiling Iraq's Initial Goods Offer and its new tariff schedule. However, senior-level approval of the Goods Offer will take another several weeks, in part because of an unfolding corruption scandal at the Ministry of Trade (MOT). Long-awaited Customs Tariff legislation -- necessary to implement the schedule -- may also be delayed for several months. Given these circumstances, the GOI is unlikely to be ready for its third Working Party in June. However, once the Goods Offer is approved, it should be ready by the fall. END SUMMARY.

Good News on the Goods Offer

¶2. (SBU) A GOI inter-ministerial working group charged with compiling Iraq's initial Goods Offer to the World Trade Organization (WTO) has largely completed its work, following a week-long "off site" (facilitated by USAID's technical assistance providers) in Erbil the week of April 27. Basing the Offer on Iraq's recently completed draft tariff schedule, representatives from the Ministries of Finance, Trade, Minerals and Industry and Agriculture came to agreement, and the final draft has now moved to the Ministry of Trade's (MOT) WTO Unit for final formatting and approval from the Minister. There are some areas of the Goods Offer that are certain to attract questions from Working Party members; for example, the GOI prefers to handle the chapters of the offer covering "exceptions" by issuing government decrees rather than by enshrining them in law. Nevertheless, WTO Unit officials (and the USAID contractors assisting them) say the document stands up well as an Initial Offer, i.e. it should provide the basis for a good exchange between the GOI and the WTO once a date for the next Working Party is actually determined.

¶3. (SBU) While the Initial Goods Offer looks good, senior-level approval of it is likely to be delayed. Trade Minister Abd Al-Falah Al-Sudani must approve it, but an emerging corruption scandal has rocked the MOT and brought most normal operations to halt (Reftel A). The alleged corruption occurred within the MOT-administered Public Distribution System and has nothing to do with the WTO Unit. Still, arrest warrants have been issued for two of Al-Sudani's brothers (also MOT employees), and no one expects him to focus on WTO issues any time soon. And if this drama were not enough, WTO Unit officials have also suggested that the Initial Goods Offer might have to go to the Council of Ministers (COM) for approval before it can be submitted to the WTO -- a step that would likely cause inordinate delays.

The Wrong Customs Tariff Law

¶4. (SBU) The GOI sent its draft tariff schedule to Geneva in December, but MOT officials report that they have yet to receive the WTO's comments on it. Nevertheless, USAID's experts found that it made a good basis for the Initial Goods Offer.

¶5. (SBU) Unfortunately, the implementing legislation for the tariff schedule will now likely be significantly delayed. During an April 27 meeting, Finance Minister Bayan Jabr told EMIN that the COM recently approved the draft Customs Tariff bill it had received in February, and transmitted it to the Council of Representatives (COR) for enactment. This appears to be the same bill that the previous Director General of Iraqi Customs submitted before he was replaced in February, and which the MOT had judged to be WTO-incompatible (Refs B, C). Although we do not expect to COR to enact the bill any time soon, the job of recalling it and rewriting it will be made all the more difficult now that it has moved to this next stage.

Comment

¶6. (SBU) Given these delays, it seems very unlikely that the GOI will submit its Initial Goods Offer in time for it to form a meaningful basis of discussion at a Working Party Meeting in June. In addition, the GOI has apparently still not agreed with the WTO on a candidate to fill the currently vacant Working Party Chair. However, we are fairly optimistic that if over the summer the Goods Offer is approved -- and a new Working Party Chair is named -- a fall working party could prove appropriate. End Comment.

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